

# THE CITY OF NORFOLK



To the Honorable Council  
City of Norfolk, Virginia

January 25, 2022

**From:** Christine Garczynski  
Director of Finance

**Subject:** Wastewater Revenue Bonds -  
Amendment

**Reviewed:**

Catheryn R. Whitesell, Deputy City  
Manager

**Ward/Superward:**

**Approved:**

Dr. Larry H. Filer II, City Manager

**Item Number:** R-3

I. **Recommendation:** Approve Ordinance

II. **Applicant:** City of Norfolk

III. **Description:**

This agenda item is an Ordinance to amend the existing Ordinance #48,542 (the Prior Ordinance), which authorized the issuance of multiple series of Wastewater System Revenue Bonds (the Bonds) of up to \$23,000,000 to appropriately reflect a 0.50% interest rate for the first series. The Prior Ordinance authorized the issuance of the Bonds to the Virginia Resources Authority (VRA), as Administrator of the Virginia Water Facilities Revolving Fund (the Fund). The Department of Environmental Quality (DEQ) establishes the interest rates for loans from the Fund, and VRA provides the terms and conditions for those loans once the interest rate is set. Historically, the City has received loans from the Fund at an interest rate of 0%, as established by DEQ. Following the adoption of the Prior Ordinance, the City received a Commitment Letter from VRA, as Administrator of the Fund, which set forth the terms and conditions for the first series of Bonds. These terms and conditions included the forgiveness of a portion of the principal amount of the first series of Bonds, with full repayment of the loan, and an interest rate of 0.5% (instead of the 0% that was inadvertently included in the Prior Ordinance and was based on DEQ's history of providing loans at 0% interest to the City).

This amendment will reaffirm the authorization of the first series of Bonds in accordance

with the Commitment Letter and authorize any subsequent series of Bonds to be issued on such terms and conditions as may be approved by the Director of Finance, provided that no series of Bonds bear interest at a rate exceeding 3.0%.

This first series of Bonds will partial fund the cashflow needs of the previously approved Wastewater Utility Fund Capital Improvement Program for such projects as:

- Ballentine Place Sewer Replacement
- River Forest Shores Pump Station
- Ward's Corner Sewer Replacement

**IV. Analysis**

This is the seventeenth (17<sup>th</sup>) year the City has utilized the Fund for Wastewater capital improvement projects. This Fund has proven to be cost effective, in that the interest rate is subsidized by the Federal and State governments. The planned issuances, including issuance costs, will be based on terms and conditions of a Financing Agreement entered into with VRA (financial administrator of the Fund). The City utilizes the maximum funding amount available through this program for projects that meet the eligibility requirements.

**V. Financial Impact**

Utilizing federal and Commonwealth subsidies, the Fund offers below market loans. Additionally, the City qualifies for an additional subsidy based on community affordability. With these factors and the size of the loan, DEQ (Program Administrator for the Fund) has initially authorized a 20-year loan with an annual interest rate of 0.50% to the City, which is considerably less than the City could obtain by issuing the debt directly in the market. The City expects the terms of future loans to be similar to these financial parameters.

**VI. Environmental**

Proceeds from the bond issuance will fund construction of several projects under the City's Consent Order with the Virginia Department of Environmental Quality, including the projects identified in earlier in this transmittal.

**VII. Community Outreach/Notification**

Public notification for this agenda item was conducted through the City's agenda notification process.

**VIII. Board/Commission Action**

N/A

**IX. Coordination/Outreach**

This letter has been coordinated with the Department of Finance, Department of Utilities and the City Attorney's Office.

**Supporting Material:**

- Ordinance Exhibit A (PDF)

Form and Correctness Approved: *BAP*

Contents Approved:

By: \_\_\_\_\_  
Office of the City AttorneyBy: \_\_\_\_\_  
DEPT. Finance

NORFOLK, VIRGINIA

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**Ordinance No.**

AN ORDINANCE SUPPLEMENTING AND AMENDING  
ORDINANCE NO. 48,542, REGARDING THE ISSUANCE  
OF WASTEWATER SYSTEM REVENUE BONDS FOR  
WASTEWATER IMPROVEMENTS

- - -

WHEREAS, the Council (the "Council") of the City of Norfolk, Virginia (the "City") previously adopted Ordinance No. 48,542 (the "Prior Ordinance") that authorized the City to issue more than one series of wastewater system revenue bonds of the City (the "Bonds");

WHEREAS, following the adoption of the Prior Ordinance, the City received a Commitment Letter dated November 22, 2021 (the "Commitment Letter") from the Virginia Resources Authority, as Administrator of the Virginia Water Facilities Revolving Fund ("VRA"), which Commitment Letter is attached hereto as Exhibit A;

WHEREAS, the Commitment Letter sets forth the terms and conditions for the first series of Bonds to be issued under the Prior Ordinance, which terms and conditions include the forgiveness of a portion of the principal amount of the first

series of Bonds and an interest rate of 0.5% (instead of the 0% that was inadvertently included in the Prior Ordinance).

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Norfolk:

Section 1:- That the Council hereby reaffirms its authorization of the issuance and sale of the Bonds and supplements and amends the Prior Ordinance to provide that the issuance and sale of the first series of Bonds shall be made in accordance with the terms, conditions and financing parameters set forth in the Commitment Letter and any subsequent series of Bonds shall be issued on such terms and conditions as may be approved by the Director of Finance, provided that no series of Bonds shall bear interest at a rate exceeding 3.0%.

Section 2:- That, except as supplemented or amended hereby, the Prior Ordinance is hereby ratified and confirmed in all respects.

Section 3:- That the appropriate officers or agents of the City are hereby authorized and directed to file a certified copy of this Ordinance with the Circuit Court of the City pursuant to Sections 15.2-2607 and 15.2-2627 of the Code of Virginia of 1950, as amended.

Section 4:- That this Ordinance shall take effect from and after its adoption.

ATTACHMENTS:

Exhibit A (2 pages)



*Stephanie L. Hamlett*  
Executive Director

November 22, 2021

Dr. Larry Filer II  
City Manager  
City of Norfolk  
P.O. Box 1080  
Norfolk, Virginia 23501

**Re: Virginia Water Facilities Revolving Fund  
City of Norfolk, Virginia  
C-515664E (FY2020 Funding Cycle) Commitment Letter**

Dear Dr. Filer:

Virginia Resources Authority (the "Authority") is pleased to advise you that the State Water Control Board (the "Board") has authorized funding from the Virginia Water Facilities Revolving Fund (the "Fund") to the City of Norfolk (the "City") to finance the replacement of various sewer lines, mains, and equipment upgrades, together with related expenses (the "Project"). Funding consists of a principal repayment loan in an amount up to \$8,545,230 (the "Principal Repayment Loan") and a principal forgiveness loan in an amount up to \$454,770 (the "Principal Forgiveness Loan") for a total funding package of up to \$9,000,000 (the "Loan"). The cost of funds on the Principal Repayment Loan will be 0.50%, comprised of interest to the Fund of 0.30% and a fee of 0.20% for administrative and management services attributable to the Loan. The Principal Repayment Loan payments will begin approximately six months after Project completion. The term for the Principal Repayment Loan can be no greater than thirty years from the Loan closing date.

The Authority hereby offers to extend to the City the Loan as stated, subject, however, to the satisfaction of the conditions to purchase the City's Local Bond set forth in the enclosed form of Financing Agreement (Sections 2.1, 3.1, and 3.2). A form of the Funding Agreement for the Principal Forgiveness Loan is also enclosed.

It is understood that the Principal Repayment Loan will be secured by a pledge of revenues from the City's sewer system. The City's Local Bond evidencing the Principal Repayment Loan shall be issued on a parity basis with all outstanding bonds secured by the City's sewer revenues.

Loan closing and the disbursement of funds thereunder shall be subject to the availability of funds from the (a) United States Environmental Protection Agency Capitalization Grant under the Water Quality Act of 1987 and (b) Commonwealth of Virginia match grant.

The Local Bond shall be accompanied by an opinion of the City's bond counsel to the effect that the Local Bond will not be a "private activity bond" as defined in Section 141 of the Internal Revenue Code of 1986.

Dr. Larry Filer  
November 22, 2021  
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Loan closing and the disbursement of funds in connection therewith shall remain subject to satisfaction of any condition prerequisite thereto established by the Board. The City shall comply in all respects with all applicable federal, state and local laws, regulations and other requirements relating to or arising out of or in connection with the Project and the funding thereof by the Authority. The amount of the first disbursement on the Loan must exceed the lesser of \$50,000 or five percent (5%) of the principal amount of the Loan. Loan closing will not be set until the first disbursement conforms to this requirement and the City has satisfied all applicable pre-closing conditions.

The Authority reserves the right to withdraw or alter the terms of this commitment if, between the date of the City's loan application and the date of closing, (i) the City incurs any debt or (ii) the financial condition of the City changes in a way deemed material by the Authority in its sole discretion.

If Loan closing shall not have occurred by June 30, 2022, it is understood that the Authority and the Board reserve the right to modify any of the conditions of this commitment or to withdraw the funding offer. Furthermore, authorization for funding can be withdrawn for not completing requirements in a timely manner.

If you have any questions concerning the foregoing, please call Joe Bergeron at 804-616-3442. **If you concur with the terms and conditions herein stated, please acknowledge your acceptance thereof by signing below and returning the original to me.** Retain a copy for your records.

Very truly yours,



Stephanie L. Hamlett  
Executive Director

The City of Norfolk fully intends (i) to use the offered Loan for the Project and (ii) to commence or continue the Project, as applicable, pending closing of the Loan, on or about the \_\_\_\_\_ day of \_\_\_\_\_, 2021. The foregoing terms and conditions are hereby acknowledged and accepted the \_\_\_\_\_ day of \_\_\_\_\_, 2021.

By: \_\_\_\_\_  
City Manager

cc: Arthur E. Anderson, Esq.  
Christine Garczynski, Director of Finance, City of Norfolk  
Megan M. Gilliland, Esq.  
Karen M. Doran, Virginia Department of Environmental Quality

Attachment: Ordinance Exhibit A (Wastewater Revenue Bonds - Amendment)